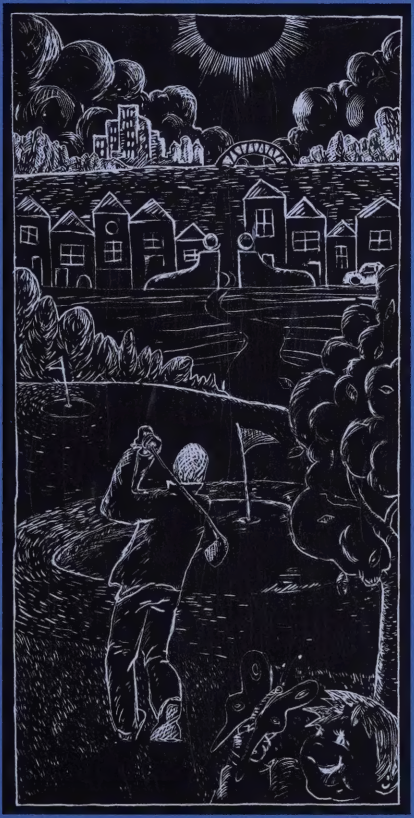
2000 Annual Report



MELCOR
DEVELOPMENTS LTD.

Contents

Melcor Developments Ltd. is primarily engaged in the following activities:

- the acquisition, planning, development and marketing of urban communities and the subsequent sale of single family, multiple family and commercial / industrial lots in Alberta in the metropolitan areas of Calgary, Edmonton, Lethbridge and Red Deer and in Arizona;
- the ownership, development and management of commercial properties in Western Canada and a manufactured home community in Calgary; and
- the ownership and management of two championship golf courses in the Edmonton area including a course acquired in 1997 which is 60% owned.

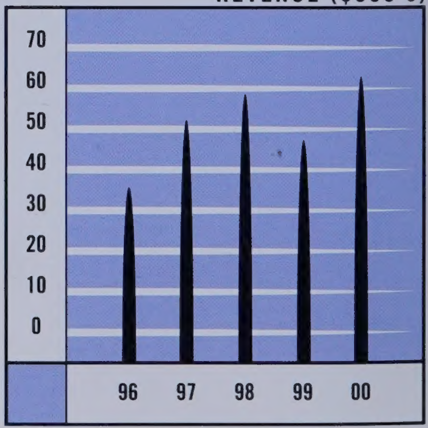
Notice of Annual Meeting

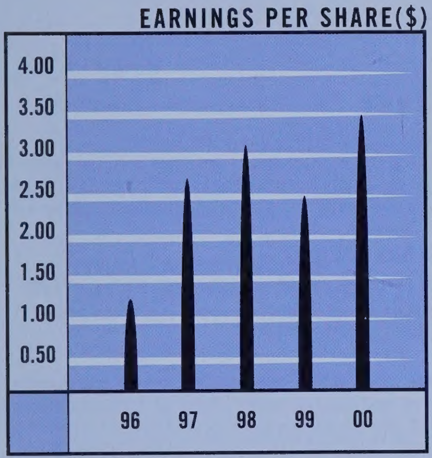
The annual meeting of Shareholders will be held at the Westin Edmonton located at 10135-100st in Edmonton, Alberta, Canada on Thursday, the 17th day of May, 2001, at 11:00 a.m. MDT.

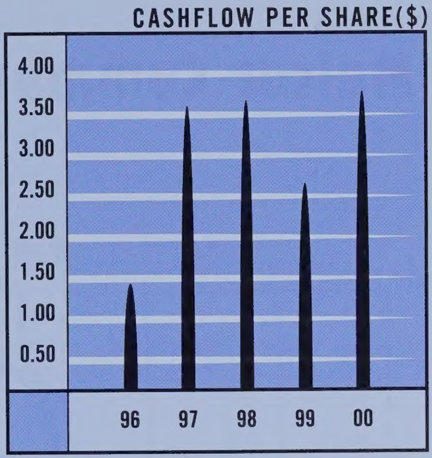
Financial highlights

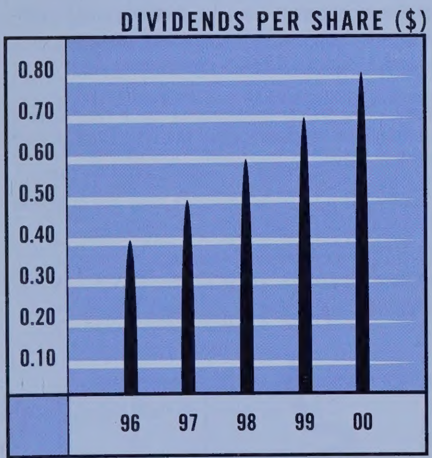
($)	2000	1999
Revenue	61,221,000	46,563,000
Earnings	10,630,000	7,767,000
Cash flow from operations before working capital changes	11,144,000	8,042,000
Assets	158,786,000	153,350,000
Shareholders' equity	92,885,000	85,577,000
Per Share		
Basic earnings	3.48	2.50
Cash flow from operations before working capital changes	3.64	2.58
Book value per share	30.57	27.57
Dividends paid	0.80	0.70

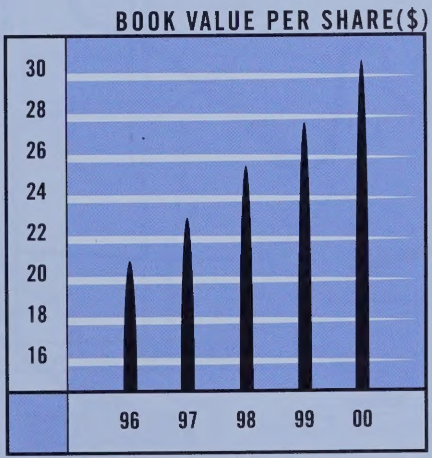
REVENUE ($000's)

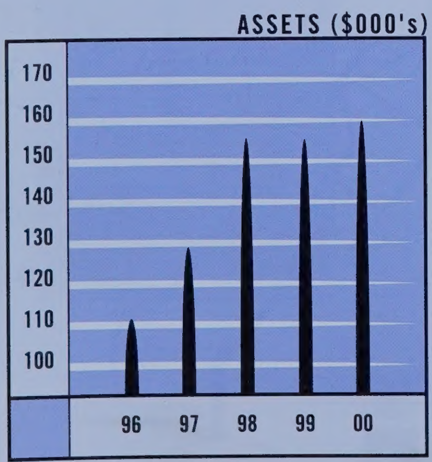


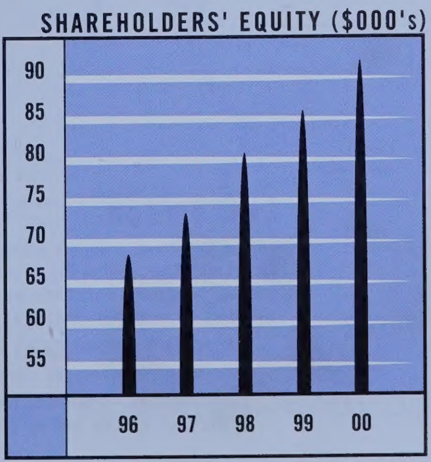

EARNINGS PER SHARE($)
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
96
97
98
99
00


CASHFLOW PER SHARE($)
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
96
97
98
99
00


DIVIDENDS PER SHARE ($)
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
96
97
98
99
00


BOOK VALUE PER SHARE($)
30
28
26
24
22
20
18
16
96
97
98
99
00


ASSETS ($000's)
170
160
150
140
130
120
110
100
96
97
98
99
00


SHAREHOLDERS' EQUITY ($000's)
90
85
80
75
70
65
60
55
96
97
98
99
00

Melcor Communities

Red Deer

Devonshire - the location is one of the quietest neighborhoods in Red Deer and is designed with the family in mind. There are plenty of open spaces and playing fields and housing is within walking distance of schools, shopping and recreation facilities.

Project Size -150 acres

Date of Commencement - development started in 1998

Target Market - mid-range to upper end of the price range, two condo properties

Aspen Ridge - One of Red Deer's fastest selling communities. This is a very well located neighborhood with mountain views and a brand new shopping centre located in the community. Six showhomes from Red Deer's most experienced builders are open for viewing.

Project Size - 150 acres

Date of Commencement - development started in 1998

Target Market - mid-range to upper end of the price range, several condo options to choose from

Victoria Park - This Melcor development has a reputation as the most prestigious neighborhood in the City. From elegant estate homes to executive townhouses, prospective homeowners will find the best that Red Deer has to offer. This community has a large central park area and is across the street from the City's new recreation complex.

Project Size - 150 acres

Date of Commencement - development started in 1991

Target Market - upper end to mid-range prices

Red Deer

1 Aspen Ridge — 2 Devonshire — 3 Victoria

Lethbridge

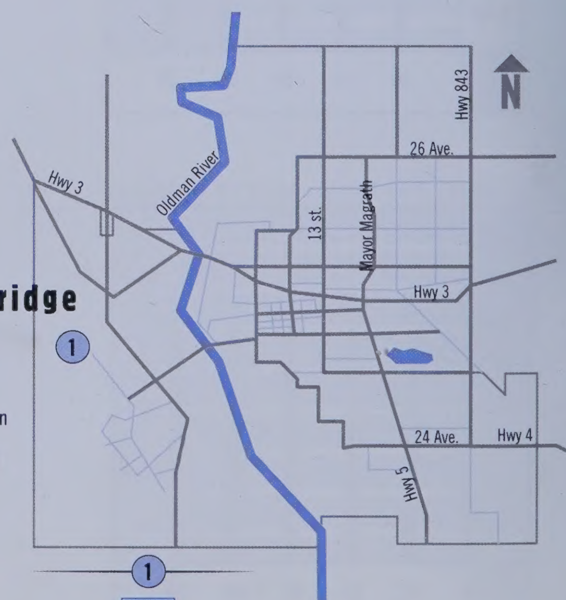
Willow Ridge - is a rapidly growing residential community in West Lethbridge. Willow Ridge currently has local schools and neighbourhood parks located within the community and shopping conveniently located at the community entrance.

Project Size - approximately 500 lots in total

Date of Commencement - acquired in 1992

Target Market - single and multi-family residential in the starter home and early move up markets

Lethbridge



1 Willow Ridge

Calgary

NW Calgary - Arbour Lake

Is NW Calgary's only lake community with numerous lifestyle amenities that only a lake community can offer. This great community is only minutes away from the many conveniences of Crowfoot Towne Centre. Now in its final stages of development Arbour Lake has something for every homebuyer.

Project Size - over 600 acres

Date of Commencement - development started in 1991

Target Market - starter/first time homeowner to the estate buyer

NW Calgary - West Citadel

Location, location, location is what comes to mind when people talk about this community that offers the best of foothills living with mountain views that will take your breath away. In West Citadel families can stroll along kilometers of pathways and enjoy numerous parks and playgrounds.

Project Size - 130 acres

Date of Commencement - development started in 1998

Target Market - first time homebuyer and move-up buyer

Chestermere - Westmere

Was voted as the Best New Community for 2000, and has moved into its second year of construction. This emerging community, situated just east of Calgary, combines small town living just off the West bank of Chestermere Lake with Calgary's big city conveniences close at hand. Westmere will soon be home to "Chestermere Station" the Town of Chestermere's first major commercial and retail centre.

Project Size - 440 acres

Commencement Date - development started in 1999

Target Market - move up buyer

Airdrie - StoneGate

Located in the City of Airdrie, is the perfect place for those looking for affordable small city living with every imaginable amenity and service just minutes away. With schools and year round recreational activities StoneGate is a family friendly place to call home. Both StoneGate and Airdrie are filled with wide-open spaces, parks and km's of pathways.

Project Size - 85 acres

Commencement Date - developed started in 1999

Target Market - first time homebuyer and move-up buyer

1 ARBOUR LAKE

2 WEST CITADEL

3 STONEGATE

4 WESTMERE CHESTERMERE LAKE

Edmonton

NE Edmonton - Miller

The neighborhood is elevated offering walkout lots and views of downtown Edmonton. Miller is a mix of starter and move up homes and is conveniently located close to major shopping, LRT, dining and entertainment establishments.

Project Size - 80 acres

Commencement Date - development started in 1998

Target Market - starter to move up single family, apartment and duplex, commercial

West Edmonton - Lewis Estates

In 1997, Melcor acquired a 60% interest in Lewis Estates, which includes land for development and an 18 hole championship golf course. Since that time Melcor has serviced over 60 acres of land, remarketed the community, built new entrance features, developed the neighborhood commercial site and made improvements to the golf course and club house/pro shop. Lewis Estates will allow Melcor to deliver a wide variety of housing product in west Edmonton for many years to come.

Project Size - 470 acres

Commencement Date - development started in 1997

Target Market - wide range single family in two neighborhoods, golf course residential, multi family, convenience commercial

SW Edmonton - Terwillegar Gardens

In 1999 servicing commenced on Terwillegar Gardens beginning with the shaping of a valley, which will be the focal point of the development. When completed this prestigious neighborhood will consist of the large valley, lake, park, playing fields, and a school site and homes in predominantly upper end price ranges and styles.

Project Size - 160 acres

Commencement Date - development started in 1999

Target Market - executive single family, convenience, commercial, retirement/apartment

Spruce Grove

Melcor involvement in Spruce Grove dates to 1968 when this small city (then a village) numbered only 800 people. Today, this City of 14,000 is still a major component of Melcor's development operations. Melcor has four developments in progress with the goal of offering the broadest spectrum of housing product. Our current projects include Heatherglen, Creekside, Stoneshire and Linkside. Stoneshire and Linkside are located on the Links Golf Course, which is owned and operated by Melcor.

Project Size - 164 acres

Commencement Date - development started in 1968

Target Market - single family, starter to executive golf course residential, commercial and golf course

Leduc - Bridgeport

Melcor has developed 36.45 acres of the original 125 acres purchased in 1996 in the City of Leduc. Melcor's option for an additional 134 acres of adjoining land has been exercised and preliminary plans for development are underway. In 2000, Melcor was successful in having a regional shopping centre designated within the lands at the intersection of highways #2 and #39.

Project Size - 260 acres

Commencement Date - development started in 1996

Target Market - starter homes to upper middle income single family

Sherwood Park - The Highlands at Heritage

The focal point of the community is a naturalized park and lake known as Heritage Lake. The Highlands at Heritage is a lake community catering to homeowners looking to move up into executive and estate style homes. All of the lots are extra wide to accommodate larger homes with triple car garages. Prospective purchasers can also choose from walkout lots overlooking the lake or quiet cul-de-sac lots.

Project Size - 300 acres

Commencement Date - development started in 1985

Target Market - starter homes to executive homes


MILLER COMMUNITIES 1
LEWIS ESTATES 2
Terwillegar GARDENS 3
Creekside in ASPEN GLEN 4
HeatherGlen 5
Linkside CLOSE 6
BRIDGEPORT 7
The Highlands at Heritage 8
Edmonton
N
St. Albert
St. Albert Trail
Manning Drive
97 St
Spruce Grove
Yellowhead Trail
118 Ave
Stony Plain Road
170 St
149 St
Groat Road
82 Ave
Whitemud Drive
Sherwood Park Freeway
Sherwood Park
Anthony Henday Drive
Terwillegar Drive
23 Ave
Calgary Trail
Ellerslie Road
Leduc

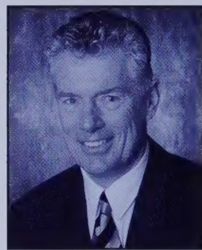
Report to shareholders

On behalf of the Board of Directors, we are pleased to report that 2000 was a most successful year for the Company. Net earnings for the year were up 37% to a record high of $10,630,000 or $3.48 per share compared to $7,767,000 or $2.50 per share in 1999. Cash flow from operations was $3.64 per share compared to $2.58 per share in the prior year. The graphs featured on the inside cover indicate an impressive record of performance and a desirable trend line over the past five years.

This auspicious start to the new millennium can be attributed, in part, to being in the right business, in the right province, at the right time. Also, these favorable results are testimony to Melcor's capable and proven team of employees who developed astute business strategies and worked hard to meet the needs of our customers. After three years of flourishing real estate markets, it was anticipated that markets could moderate somewhat in 2000. However, in Alberta, the economy continued strong, fuelled by soaring energy prices and the Company maintained its share of the market.

The community development division continued as the Company's primary source of revenue and earnings. Sales revenue totalled $56,554,000 and included the sale of 959 serviced single family lots, and 33 acres of multi-family/commercially zoned serviced land. Total earnings for the Division were $19,639,000 or a 34% increase over 1999.

TRANS ALTA BUILDING



Edmonton and area community development activities were relatively strong compared to previous years, largely due to the introduction of the successful Terwillegar Gardens subdivision in the city's southwest. The Red Deer market remained healthy where the Company continued to enjoy a significant market share through lot sales in three different subdivisions. The level of economic activity in the Calgary area led the province. Melcor enjoyed good results from its established subdivisions in the city's northwest and in Airdrie. The Company's new Westmere development on Lake Chestermere, just minutes east of Calgary, has been well received and was voted as top new subdivision by the Calgary Homebuilders' Association. Sales from Lethbridge operations were satisfactory and the region remains profitable.

Paralleling the division's vigorous pace of sales was the production of new lot inventory in many subdivisions. As of year end, serviced lot inventory totalled 1,012 compared to 867 last year, leaving the Company well positioned to meet anticipated demand through the first and second quarters of 2001. Acquisition of additional land for future development continues to be major corporate goal. Last year 140 acres were acquired.

The investment property division recorded an increase in earnings from its portfolio of income properties primarily due to the sale of a multi-use building in Edmonton for a net gain of $464,000. The extensive planned program to upgrade its various income properties continued with emphasis on improvements to mechanical systems, parkade restorations and facelifts to exterior elevations, lobbies and common areas. This reinvestment in our portfolio is necessary to ensure properties are competitive in the marketplace and will enhance future financial performance.

During the last quarter of the year, the division acquired a 47,000 square foot office building in Edmonton's downtown core. This acquisition brings the Company's ownership to over 390,000 square feet of office space in Edmonton. Occupancy rates and lease rates are increasing and as they do, the return on investment in these properties will improve.

The Company's two golf courses had successful seasons with increased cashflow and earnings. Weather conditions present a major risk factor to this business and have a significant influence on play and revenue. Over the past several years our seasons have averaged 193 playing days. It is the objective of golf course management and staff to work to increase market share through continually improving the courses, maintaining them to a high standard and providing good service to the golfers.

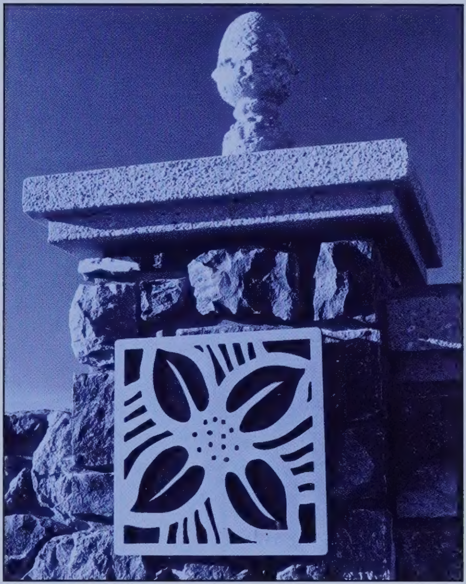
The Watergrove Manufactured Home Community, of which Melcor owns a 50% interest, is considered one of the top such facilities in Calgary with occupancy levels averaging over 98%. Melcor is responsible for management of this asset and has achieved steady and increasing earnings since its construction in 1995.

Shareholders have benefited from Company success through increased dividends as indicated on the respective graph. Dividends totalling $.80 per share were paid in 2000 compared with $.70 per share in1999. Also during the year the Company purchased back 65,400 common shares under its normal course issuer bid.

Through increases to Shareholder's equity from operations and by reducing debt, the Company's balance sheet continues to strengthen. Also, new lending agreements were negotiated with a major lender whereby a comprehensive $35,300,000 credit facility is available to finance ongoing Company operations. This lending arrangement provides for greater flexibility and reduces interest and loan administration costs.

As to the future, it will become increasingly difficult to achieve the high percentage increases as indicated by the performance graphs featuring results over the past few years. We caution shareholders that markets fluctuate and earnings do not automatically always go up. Our growth and future profitability depend upon many factors including the economy in general, demand for real estate, competition and the Company's position to meet market opportunities. The recent strong markets have provided an opportunity for the Company to develop and sell inventory from prime, low cost base land holdings in Edmonton and Calgary. Although the acquisition of lands for development has been an objective, there is fierce competition resulting in high prices for raw land inventory. It is unlikely that profit margins on replacement lands will equal those from our historic land base, hence we are restrained in projecting a continuation of the same high margins and returns experienced in recent years.

Notwithstanding this conservatism regarding future Company results, the outlook for the Alberta economy is most promising. The province is rich in natural resources, particularly in energy, which contributes large royalty revenues to government coffers. Other sectors of the economy including agriculture, tourism, manufacturing and construction are also doing well and creating jobs. These advantages together with responsible government leadership that has eliminated debt and is reducing taxes, will ensure that the Alberta economy remains vibrant and expanding. This positive environment, combined with the Company's strong asset base, its capable personnel and record of success, points to a bright future.


TERWILLEGAR GARDENS

The directors recognize with gratitude and appreciation the continuing outstanding contribution of its employees to the Company's success and growth. We also thank our customers and suppliers for their business and support, as well as our shareholders for their confidence and loyalty.

T.C. Melton

R.B. Young

March 16, 2001

Management's discussion and analysis

Corporate overview

Melcor Developments Ltd. (Melcor), which traces its history back to 1923, has been a public company since 1968 and operates in Alberta in the metropolitan areas of Calgary, Edmonton, Lethbridge, Red Deer and in Arizona. Its diversified operations include:

- the acquisition of raw land, which is held for future development until market conditions warrant the planning, servicing and marketing of urban communities that are then sold in the form of single family, multiple family and commercial / industrial lots;
- the ownership, development and management of commercial property in Western Canada including a manufactured home community in Calgary; and
- the ownership and management of two championship golf courses in the Edmonton area.

Review of operating results

Net earnings for the year were $10,630,000 compared to prior year earnings of $7,767,000. Earnings per share at December 31, 2000 were $3.48, a 39% increase over 1999 earnings per share of $2.50. This represents the highest earnings per share for the Company in its history as a public company. Fourth quarter earnings of $2.23 per share were the highest fourth quarter earnings for the Company in the past 25 years.

The increase in revenue and net earnings was the result of an increase in land sales. Single family housing starts in the municipalities in Alberta where Melcor operates increased by 3.8% during the current year.

Community development

The Community Development Division is responsible for the acquisition, planning, development and marketing of urban communities. Although the division predominantly develops mixed-use residential communities, it also develops large-scale commercial and industrial centers in the Edmonton and Calgary regions. Residential lots and parcels are marketed through selected homebuilders that purchase sites through agreements payable that are usually due within one year of sale.

Sales activity

Total sales for the division were $56,554,000 in 2000 versus $41,582,000 in the prior year. During the year, twenty-five subdivisions were developed in fifteen communities. The number of residential lots sold in 2000 increased by 18% over 1999 sales. Edmonton and Calgary regions saw an increase in the number of lots sold, while Red Deer, Lethbridge and Arizona experienced a decrease (as set out in the following table).

Residential lot sale history *(including joint ventures at 100%)*

	2000	1999	1998	1997	1996
Edmonton	**348**	260	384	306	186
Red Deer	**123**	162	209	160	58
Calgary	**421**	310	379	373	308
Lethbridge	**64**	74	44	27	41
Arizona	**3**	7	1	40	4
	959	813	1,017	906	597

Residential lot inventory *(including joint ventures at 100%)*

	2000	1999
At beginning of the year	**867**	829
New developments	**1,104**	851
Sales	**(959)**	(813)
At end of the year	**1,012**	867

Multi–family and commercial sales
(including prorata joint venture interests and intersegment transactions)

	Multi-family and Commercial Acres	Multi-family and Commercial Sales ($)	Sale of Non-Strategic Lands (Acres)
2000	**33**	**9,719,000**	**3**
1999	33	7,341,000	29
1998	26	8,845,000	–
1997	17	7,142,000	33
1996	4	3,490,000	134

Land inventory *(in acres)*

	2000	1999
At beginning of the year	**4,516**	4,254
Purchases	**140**	489
Sales	**(3)**	(29)
Developed	**(250)**	(198)
At end of the year	**4,403**	4,516

Land acquisitions

The acquisition of land for future development is based upon our anticipation of market demand and development potential primarily within five years. Land purchases during the year were:

- 87 Acres in St. Albert; and
- 53 Acres in Edmonton.

Risk factors

Residential lot sales are influenced by the demand for new housing which is impacted by interest rates, growth in employment, immigration, new family units and the size of these units. Our ability to bring new communities to the market is impacted by municipal regulatory requirements and environmental considerations which effect the planning, subdivision and use of land. The lengthy planning and approval process can take up to eighteen months. During this period, the market conditions in general and / or the market for lots in the size and price range in our developments, may change dramatically.

Management attempts to mitigate these risks by:

- developing in the vicinity of major population and employment centres in Alberta where we have developed land for decades;
- marketing lots in various sizes and price ranges in all regions in which we carry on development programs;
- monitoring market conditions by maintaining close contacts with our customers, industry associations and forecasting agencies;
- managing and participating in joint ventures;
- contracting professional consultants as required rather than having them on staff; and
- practising a strong environmental program to minimize risk on acquisitions and development.

Investment property

The Company owns and manages a portfolio of 11 commercial properties and a 308-unit manufactured home community. See page 21 of this annual report for a detailed listing of investment property. Divisional earnings were:

$	2000	1999
Rental and other operations	**159,000**	331,000
Gain on sale of building	**464,000**	–
Total divisional earnings	**623,000**	331,000

The decrease in earnings from rental operations are primarily due to increased expenditures incurred during a program undertaken by the division to perform some major repairs and renovations to several properties in the portfolio.

During the year the Company sold a 20,520 square foot multi-use building.

Property summary *(in square feet / including joint ventures at 100%)*

	2000	1999
Office and multi-use	**483,961**	457,001
Retail	**53,065**	53,065
	537,026	510,066

In October 2000, the division purchased a 47,480 square foot, nine story office building in the downtown core of Edmonton.

The division also acquired a 2.8 acre parcel of land in northwest Calgary from the Community Development Division. This parcel could be developed in 2001 as an office building complete with underground parking and with retail space on the main floor.

CROWFOOT OFFICE BUILDING

	2000	1999	1998	1997	1996
Rental revenue	**4,857**	4,123	3,829	3,823	3,790
EBITDA (1)	**1,562**	1,868	2,051	2,020	1,817
Earnings from properties (2)	**620**	473	627	505	288
EBITDA as % of NBV (3)	**7.1%**	10.3%	11.7%	11.4%	10.1%

(1) EBITDA is earnings before interest, income tax, depreciation and amortization.

(2) Earnings from properties are earnings before general and administrative expenses.

(3) Note 4 to the consolidated financial statements sets out the net book value of the properties owned.

Rental revenue is up by 18% and earnings from properties are up 31%. EBITDA as a percent of net book value is down from the prior year due to some one-time expenditures, including the major repairs and renovation program discussed above.

With occupancy rates rising, the division expects to have a stronger performance in 2001 providing utility costs do not have a major impact. The occupancy rate for office and multi-use buildings increased from 77% in 1999 to 80% in 2000. Management believes that it can increase the occupancy rate for 2001 as market conditions for office space is improving.

Leases maturing *(in square feet)*

	2001	2002	2003	2004	2005
Office and Multi-use	28,426	79,627	85,403	22,090	61,159
Retail	26,941	17,997	7,054	13,003	3,502
	55,367	97,624	92,457	35,093	64,661

Risk factors

The investment property division is subject to the market conditions in the geographic areas where it owns properties. As these market conditions improve, the ability to achieve higher occupancy rates also improves. These market conditions are influenced by outside factors such as government policies, demographics and employment patterns, the affordability of rental properties, competitive leasing rates and long-term interest and inflation rates.

Management attempts to mitigate these risks by:

- Owning properties in the vicinity of major populations and employment centres, (normally in areas where we also develop lands for resale);
- Diversifying the type of investment properties we own;
- Managing and participating in joint ventures;
- Purchasing properties that have low capital costs, thereby allowing the division to obtain a reasonable return even in a competitive market;
- Obtaining long-term, fixed-rate financing when the features of the specific property meet those conditions; and
- Managing our buildings so as to have competitive operating costs.

Golf courses

The Company manages two 18 hole golf courses including The Links at Spruce Grove (built in 1983) and Lewis Estates Golf Course (60% interest acquired in November 1997). Both golf courses had successful years considering that the number of playing days in 2000 were less than in 1999.

Note 4 to the consolidated financial statement sets out our net investment in the golf courses.

Risk factors

Golf courses are subject to weather (number of playing days), competition from other courses, the amount of disposable income available to customers to spend on recreational activity, popularity of the sport and the cost of providing desirable playing conditions of the course.

Management attempts to mitigate these risks by:

- Owning golf courses near high population areas;
- Keeping green fees competitive, yet charging adequately to maintain a high standard of course conditions;
- Servicing the company golf tournament business, which increases the number of sold out days and provides revenue on marginal weather days;
- Building good practise facilities at the courses and by providing excellent professional golf instructions at the course; and
- Practising efficient, courteous and professional customer relations to encourage patrons to return.

Assets

The net book value of the Company's assets were $158,786,000 at the end of 2000 which is comparable to $153,350,000 at the end of 1999. Note references below are to the consolidated financial statements.

- Cash was reduced by $7,223,000 due to the loan structuring that was completed during the year. See "LIABILITIES" and "LIQUIDITY AND CAPITAL RESOURCES" sections in the Management's Discussion and Analysis.
- Agreements receivable (Note 2) are the balances due from the sale of developed land. The increase in agreement receivable of $4,353,000 (2000-$34,927,000 versus 1999 - $30,574,000) is primarily a reflection of increased land sales in the fourth quarter.
- Land is classified as land under development at the time that plan registration has been completed. In 2000, we developed twenty-five new residential subdivisions with 1,104 lots compared with nineteen new subdivisions with 851 lots in 1999. Single family lot inventory increased from 867 lots at December 31, 1999 to 1,012 lots at December 31, 2000.
- Land held for future development (Note 3) is an aggregate of raw land which, in some cases, may be several years from development and unregistered projects which include some raw land and its related predevelopment costs. Predevelopment costs include, but are not limited to, regulatory approvals, planning, engineering and infrastructure servicing. The latter can be significant in instances where utilities or roadways must be constructed over expanses of raw land in order to bring services or access to subdivisions that are being fully developed. Land held for future development decreased by $1,568,000 due to land acquisitions of $4,969,000 which were offset by transfers to land under development of $4,987,000 in land and net transfers of predevelopment costs of $1,550,000.
- Capital assets (Note 4) includes the assets of the Investment Property Division (11 commercial properties and a manufactured home community), the assets of the Recreation Property Division (two golf courses in the Edmonton area), other capital assets of the various divisions as well as other inventory, prepaid expenses and sundry assets. During the year, capital assets increased by $1,786,000 due primarily to the acquisition of an office building in Edmonton and the transfer of a building site in Calgary from the community development division. Some pre-development work was also commenced on the site in Calgary. These increases were partially offset by the sale of a multi-use building in Edmonton.

Liabilities

Liabilities decreased from $67,773,000 at the end of 1999 to $65,901,000 at the end of 2000 primarily due to repayment of debt.
The major changes in liabilities include:

- The bank operating loans of the Company increased liabilities by $14,092,000 as a result of the loan restructuring that was completed during the year (see Liquidity and Capital Resources). The bank operating loan is primarily used to finance applicable agreements receivable. Debt on land under development decreased by $13,437,000 as a result of the same loan restructuring. The remaining project loan balance pertains to a joint venture which will be fully developed in a few years.
- Provision for land development costs increased by $999,000 due to higher volumes of subdivision construction activity being carried

forward into the next year. This higher carry forward is the result of the increased magnitude of subdivision initiation in 2000 compared to the prior year and based on the timing of cash payments required to complete construction.

- Debt on land held for future development (Note 7) decreased by $1,754,000 based on assumed debt of $3,435,000 on land purchased during the year less repayments of $5,189,000.
- Debt on Capital assets (Note 8) in the amount of $12,181,000 reflects financing placed on capital assets (Note 4) which have a net book value of $25,190,000. All but three (3) of the Company's properties will be reviewed during the year as it relates to new financing and renewal of existing financing. It is expected that the Company will renew or acquire new long-term financing on up to 9 properties during 2001. Debt on capital assets decreased by $2,347,000 as a result of principal payments during the year.

Risk

The nature of the Company's business, along with 94% of our assets being located in Alberta, could make the Company subject to greater risks than companies that are more geographically diversified.

Various factors which are not in management's control can impact the Company's business. These factors include:

- Interest and inflation rates;
- General economic conditions in the regions which the Company operates;
- Population growth and migration;
- Job creation and employment patterns;
- Consumer confidence;
- Pricing of input costs;
- Competitors strategies;
- Government policies, regulations and taxation; and
- Availability of financing for real estate assets.

Management believes that the economic outlook for Alberta is favourable and should continue to be so as long as the provincial and municipal governments practise fiscal policies that fuel migration to Alberta, which already has a strong economy. The Company intends to continue its conservative policies on acquisitions and developments.

Liquidity and capital resources

The Company has an ongoing requirement for capital to finance its operations. During the year, the Company finalized an agreement with a major chartered bank which replaced conventional project financing with a $24,700,000 credit facility. Specific agreements receivable, specific lot inventory and a general security agreement are pledged as collateral for this credit facility. This credit facility may be terminated by the bank upon one year's notice. The facility limits can be modified to meet the Company's needs. The Company also has a credit facility to provide letters of credit.

At December 31, 2000 the Company had $10,800,000 (1999 - $6,460,000) in approved and undrawn facilities to cover its operations. Based on the consolidated assets and liabilities at December 31, 2000 (assuming loan limits were increased and existing loan rules were used), the Company has the potential to increase its credit facility to approximately $40,000,000. Since loan rules attract a monthly standby fee from the bank for loans approved but not used, the Company limits the credit amount to include only the amount it could require based on annual budget information and maximum cash requirements.

During the year the Company will be reviewing the financing of its capital assets with the view to obtain long-term fixed rate financing on existing assets and to finance as much as $10,000,000 worth of new construction that may be undertaken in 2001. New financing will likely be between $12,000,000 and $17,000,000 depending on the assets that may be financed.

The Company's debt to equity ratio was 0.71:1 at December 31, 2000 compared to 0.79:1 at December 31, 1999.

Management believes that with the projected level of operations for 2001, our minimal capital commitments and the availability of funds under the established credit facility, the Company will have sufficient capital to fund its operations.

Outlook for 2001

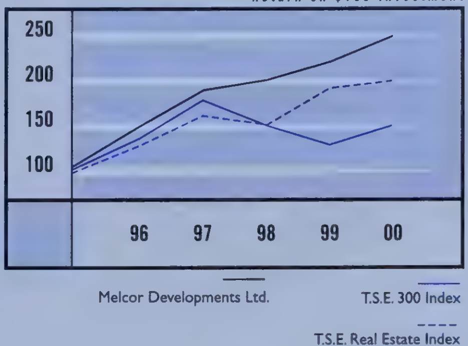
The Company's Business Plan for 2001 is based upon the following assumptions:

- the Canadian economy will be slightly slower in 2001 over the level of economic activity achieved in 2000 with economic growth in Alberta higher than the national average;
- the population of Alberta will continue to increase;
- interest rates will decrease by about 1% during the year; and
- the residential housing starts in Alberta will be about the same as in 2000, with Edmonton showing a slight increase in its percentage of starts while Calgary will show a slight decrease in its percentage of starts.

The following chart illustrates Melcor's five-year cumulative total shareholder return, assuming an initial investment of $100 with all dividends reinvested versus the return on the T.S.E. 300 Composite Index and the T.S.E. Real Estate Index.

PERFORMANCE CHART

Five Year Cumulative Total Return on $100 Investment



Consolidated statements of earnings and retained earnings

For the years ended December 31 ($000's)	2000	1999
Revenue	**61,221**	46,563
Cost of sales	**(37,196)**	(27,782)
	24,025	18,781
Interest revenue	**1,149**	1,658
Interest expense (Note 12)	**(1,538)**	(1,276)
General and administrative expenses	**(5,822)**	(5,069)
Gain on sale of capital assets	**479**	18
Earnings before income taxes	**18,293**	14,112
Income tax (expense) / recovery		
Current	**(7,418)**	(6,881)
Future	**(245)**	536
	(7,663)	(6,345)
Net earnings for the year	**10,630**	7,767
Retained earnings, beginning of the year	**77,925**	72,794
Dividends	**(2,428)**	(2,175)
Cost of common shares purchased in excess of stated capital	**(1,028)**	(461)
Retained earnings, end of the year	**85,099**	77,925
Basic earnings per common share	**3.48**	2.50

Consolidated balance sheets

As at December 31 ($000's)	2000	1999
ASSETS		
Cash and cash equivalents	**1,181**	8,404
Accounts receivable	**1,980**	1,761
Agreements receivable (Note 2)	**34,927**	30,574
Land under development	**44,996**	37,443
Land held for future development (Note 3)	**48,240**	49,808
Capital assets (Note 4)	**27,462**	25,360
	158,786	153,350
LIABILITIES		
Bank operating loan (Note 5)	**14,092**	–
Accounts payable and accrued liabilities	**7,439**	7,109
Provision for land development costs	**10,587**	9,588
Debt on land under development (Note 6)	**386**	13,823
Debt on land held for future development (Note 7)	**10,374**	12,128
Debt on capital assets (Note 8)	**12,181**	14,528
Future income taxes (Note 9)	**10,842**	10,597
	65,901	67,773
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**6,571**	6,712
Retained earnings	**85,099**	77,925
Currency translation adjustment	**1,215**	940
	92,885	85,577
	158,786	153,350

SIGNED ON BEHALF OF THE BOARD

PER: ______________________ Director
T.C. Melton

PER: ______________________ Director
R.B. Young

Consolidated statements of cash flows

For the years ended December 31 ($000's)	2000	1999
Cash flows from /(used in) operating activities		
Net earnings for the year	**10,630**	7,767
Non cash items:		
Depreciation and amortization	**748**	829
Gain on sale of capital assets	**(479)**	(18)
Future income tax expense/(recovery)	**245**	(536)
	11,144	8,042
Decrease/(increase) in agreements receivable	**(4,353)**	2,360
Development activities (Note 17)	**(17)**	(1,443)
Change in other operating assets and liabilities (Note 17)	**(775)**	(370)
Currency translation adjustment	**275**	(452)
	6,274	8,137
Cash flows from/(used in) investing activities		
Purchase of land held for future development	**(1,534)**	(1,095)
Proceeds from sale of capital assets	**1,389**	–
Purchase of capital assets	**(2,874)**	(3,829)
	(3,019)	(4,924)
Cash flows from/(used in) financing activities		
Bank operating loan advances	**14,092**	–
Bank term loan repayments	**–**	(1,900)
Project loan advances	**796**	19,104
Project loan repayments	**(14,233)**	(18,000)
Repayment of debt on land held for future development	**(5,189)**	(4,069)
Proceeds from debt to acquire capital assets	**–**	2,390
Repayment of debt on capital assets	**(2,347)**	(1,178)
Dividends	**(2,428)**	(2,175)
Common shares purchased	**(1,169)**	(525)
	(10,478)	(6,353)
Increase/(decrease) in cash and cash equivalents during the year	**(7,223)**	(3,140)
Cash and cash equivalents, beginning of the year	**8,404**	11,544
Cash and cash equivalents, end of the year	**1,181**	8,404

Notes to consolidated financial statements

1. Accounting policies

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgement. Significant areas requiring the use of management estimates relate to the determination of provision for land development and potential impairment of assets. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

a) Basis of consolidation

These consolidated financial statements include:

(i) The accounts of Melcor Developments Ltd. and its wholly-owned subsidiary companies (the "Company"):

Melcor Developments Arizona, Inc.
Stanley Investments Inc.

(ii) Investments in eight (8) joint ventures are accounted for using the proportionate consolidation method.

b) Recognition of revenue

Revenue is recognized as follows:

(i) Sale of land - when a minimum of 15% of the sale price has been received and the sale is unconditional.

(ii) Rental of commercial properties - after the property is initially constructed or acquired and has reached a 75% level of occupancy, subject to a reasonable period dependent upon the size of the project. Prior to achieving this level, rental revenue and operating costs are capitalized as part of the cost of the project.

c) Capitalization of costs

The Company capitalizes all direct costs relating to land held for future development and land under development projects. In addition, carrying costs such as interest on debt specifically related to the project, property taxes and interest on general debt considered applicable to the investment in the project are capitalized. Where the net realizable values of specific properties held for development do not exceed their capitalized carrying value, any additional interest and carrying costs relating to the properties are charged to current operations and are not capitalized. Administrative overhead expenses are not capitalized.

d) Cash and cash equivalents

Cash and cash equivalents are comprised primarily of cash and short-term securities with maturity dates of less than nine months from the date they were acquired. These items are carried at cost or amortized cost as appropriate.

e) Land under development

(i) Land under development is recorded at the lower of cost and net realizable value.

(ii) The total estimated carrying, servicing and development costs (net of recoveries) are recorded as a liability at the time that plan registration has been completed. The unexpended portion of these costs is shown as "Provision for land development costs" on the balance sheet. Whenever the estimate is known to be materially different from the actual costs incurred, an adjustment is made to the liability with a corresponding adjustment to cost of sales and land under development.

(iii) The total costs of a project are allocated to individual lots sold on the basis of the anticipated selling price at the date of plan registration.

f) Land held for future development

Land held for future development includes the undeveloped land cost, the capitalized carrying costs related to holding the land and those development costs that have been incurred prior to the land being transferred to land under development. Land held for future development is recorded at the lower of cost and net realizable value. The cost of land and carrying costs are transferred to land under development on a prorated acreage basis to each phase of a project at the time that plan registration has been completed.

g) Capital assets

Capital assets are depreciated using the declining balance method of depreciation, over their estimated useful life, at rates from 4% to 30%. Buildings are depreciated using the sinking fund method based upon an estimated useful life of 20 to 45 years and are recorded at the lower of cost less accumulated depreciation and net recoverable amount.

h) Income taxes

The Company follows the asset and liability method of accounting for income taxes, where future tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

i) Foreign currency translation

The Company's foreign operation is of a self-sustaining nature. Assets and liabilities of the foreign operation are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at average exchange rates for the year. Gains or losses on translation are shown as a separate component of shareholders' equity.

2. Agreements receivable

Agreements receivable are due within one year except for $13,013,000 (1999 - $7,250,000) which is due in 2002. Subsequent to the interest adjustment date, which provides an interest relief period of four months to registered builders, these receivables earn interest at prime plus one percent (8.5% at December 31, 2000 and 7.5% at December 31, 1999) and are secured by the specific real estate sold. Agreements receivable relate primarily to land sales in Alberta which are subject to the related economic conditions of that region.

3. Land held for future development

($000's)	2000	1999
Land and carrying costs	**42,781**	42,132
Pre development costs	**5,459**	7,676
	48,240	49,808

During the year the Company purchased land in the amount of $4,969,000 (1999 - $4,955,000) and received vendor financing in the amount of $3,435,000 (1999 - $3,860,000).

4. Capital assets

($000's)			2000			1999
	Cost	Accum. Depn.	Net Book Value	Cost	Accum. Depn.	Net Book Value
Commercial properties	**22,429**	**(3,501)**	**18,928**	20,781	(3,236)	17,545
Manufactured home community and related assets	**3,348**	**(211)**	**3,137**	3,347	(167)	3,180
Golf courses and related assets	**5,059**	**(2,226)**	**2,833**	4,938	(2,015)	2,923
Other buildings and equipment	**38**	**(16)**	**22**	47	(23)	24
Computerware and furniture	**1,080**	**(810)**	**270**	1,055	(754)	301
	31,954	**(6,764)**	**25,190**	30,168	(6,195)	23,973
Sundry assets including tenant leasing costs			**2,272**			1,387
			27,462			25,360

5. Bank operating

The Company has a $35,300,000 credit facility which replaced conventional project financing. Specific agreements receivable, specific lot inventory and a general security agreement are pledged as collateral for the credit facility. This credit facility may be terminated by the bank upon one year's notice. Interest is paid monthly at prime plus 1% (8.5% at December 31, 2000).

6. Debt on land under development

Debt on land under development consists of project loans at prime plus 1% (8.5% at December 31, 2000 and 7.5% at December 31, 1999) which mature in 2002. Specific real estate, promissory notes, insurance proceeds, a general assignment of agreements receivable and specific development agreements have been pledged as collateral for this debt.

7. Debt on land held for future development

($000's)	2000	1999
Agreements payable with interest at the following rates:		
Fixed rates of 4% to 7%	**8,674**	9,588
Variable rate of prime plus 1.5% (9% at December 31, 2000 and 7.5% - 8% at December 31, 1999)	**1,485**	2,253
	10,159	11,841
Accrued interest	**215**	287
	10,374	12,128

Specific land held for future development in the amount of $17,359,000 (1999 - $19,338,000) has been pledged as collateral for the above debt. The weighted average interest rate, based on year end balances, is 6.9% (1999 - 6.6%).

The agreements mature in 2001 to 2009 and the minimum principal payments due within each of the next five years are as follows:

2001	$ 2,200,000
2002	2,279,000
2003	1,761,000
2004	1,316,000
2005	1,252,000

Principal payments in excess of the amounts due may be made in order to obtain title, if title is required to initiate development of the land.

8. Debt on capital assets

($000's)	2000	1999
Mortgages amortized over 14 to 20 years at rates varying from prime plus 1% to prime plus 2% (8.5% - 9.5% at December 31, 2000 and 7.5% - 8.5% at December 31, 1999)	**3,891**	3,261
Mortgages amortized over 2 to 15 years at fixed rates varying from 6.825% to 10.375%	**8,290**	11,267
	12,181	14,528

Specific real estate with a net book value of $19,619,000 (1999 - $21,340,000), assignment of applicable rents and insurance proceeds have been pledged as collateral for the above debt. The weighted average interest rate at December 31, 2000, based on year end balances, is 8.3% (1999 - 8.1%).

Principal payments due within each of the next five years, assuming renewal at similar terms, are as follows:

2001	$ 949,000
2002	675,000
2003	730,000
2004	789,000
2005	855,000

9. Future income taxes

($000's)	2000	1999
Capital asset book values in excess of tax values	**3,099**	3,762
Reserve on mortgages due in subsequent years	**5,692**	5,006
Interest and other soft costs deducted for tax purposes	**936**	1,391
Tenant leasing costs	**568**	200
Investment in partnerships	**183**	134
Other	**364**	104
	10,842	10,597

The timing of payment of future income taxes is dependent upon the timing of development and sale of the related assets and on the timing of the receipt of cash relating to agreements receivable.

Income taxes paid during the year were $6,784,000 (1999 - $9,253,000).

Income tax expense is calculated as follows:

($000's)	2000	1999
Income tax at the combined rate of 44.62%	**8,162**	6,297
Increase/(decrease) resulting from:		
Benefit recorded for substantially enacted future tax rate deductions	**(398)**	–
Non deductible expenses and other	**(123)**	13
Large corporations tax	**22**	35
Income tax expense	**7,663**	6,345

10. Share capital

AUTHORIZED

10,000,000	Common Shares
5,000,000	First Preferred Shares, non-voting, issued in series

ISSUED AND FULLY PAID

3,038,903	Common Shares

During the year, 65,400 (1999- 29,700) common shares were purchased for cancellation by the Company at an average price of $17.87 (1999 - $17.68) per share for total consideration of $1,169,000 (1999 - $525,000) pursuant to the Normal Course Issuer Bid Circular. The current Normal Course Issuer Bid allows the Company to purchase an additional 151,945 shares prior to the expiry of the bid on September 14, 2001.

11. Stock-based compensation plan

On September 28, 2000 the Company's Board of Directors approved a stock-based compensation plan. Under this plan, the Company may grant options to full-time, salaried employees and designated contractors after one year of service for up to 300,000 common shares.

Also, on September 28, 2000 the Board of Directors granted 156,500 options to purchase 156,500 common shares at an exercise price of $18.73 per share. The options vest at 20% per year and expire seven (7) years from the date of issuance. This plan is subject to approval by the Company's shareholders at the Shareholder's Annual Meeting to be held in May 2001. Had the options been included in the calculation of earnings per common share, fully diluted earning per common share would have been $3.44.

12. Interest expense

($000's)	2000	1999
Interest on bank operating loan and other indebtedness	**323**	32
Interest on debt - land	**1,094**	1,733
Interest on debt - capital assets	**1,103**	1,144
	2,520	2,909
Less interest on land debt capitalized	**(982)**	(1,633)
	1,538	1,276

Cumulative interest capitalized at the end of the year is $4,831,000 (1999 - $5,080,000). Interest paid during the year was $2,645,000 (1999 - $2,998,000).

13. Interest rate risk

The Company's debt consists of loans that are subject to interest rate fluctuations. For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense is approximately $199,000 (1999 - $201,000) based upon year end debt balances. This amount is partially offset by the interest earned on agreements receivable which is also subject to interest rate fluctuations.

14. Joint ventures

					CASH FLOWS FROM/(USED IN)		
($000's)	Assets	Liabilities	Revenue	Expenses	Operating Activities	Investing Activities	Financing Activities
2000	**30,271**	**15,344**	**11,636**	**8,395**	**3,401**	**(22)**	**(2,728)**
1999	28,719	14,180	10,627	7,568	2,459	(2,586)	634

The above table includes the Company's proportionate share of the assets, liabilities, revenue, expenses and cash flow information of eight (8) joint ventures that are proportionately consolidated in these financial statements.

15. Segmented information

Since the Company is involved in several activities, the financial information supplied in aggregate terms does not provide sufficient information to enable an understanding of the contribution of each activity to the Company as a whole.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business unit requires different management skills and marketing strategies. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before income taxes not including foreign exchange gains or losses.

In the following schedules, earnings from operations before income tax expense has been calculated for each segment by deducting from revenues of the segment, all direct costs and administrative expenses which can be specifically attributed to the segment as this is the basis for measurement of segment performance. Common costs, which have not been allocated, are the costs of corporate debt and general corporate expenses. The allocation of these costs on an arbitrary basis to the segments would not assist in the evaluation of the segments' contributions.

Intersegment transactions are entered into under terms and conditions similar to those with unrelated third parties. Any intersegment sales and the unrealized profits therefrom have been eliminated.

COMMUNITY DEVELOPMENT

Land Development

This division is responsible for purchasing and developing land to be sold as residential and commercial lots.

INVESTMENT/RECREATION PROPERTY

Investment Property

The Company owns 11 rental properties and a 50% interest in a 308 unit manufactured home community, which it holds to earn rental income.

Recreation Property

The Company owns and manages two 18 hole golf course operations (one of which is 60% owned).

($000's)	2000		1999	
OPERATING SEGMENTS	Revenue	Earnings	Revenue	Earnings
Community Development	57,566	19,639	42,871	14,651
Investment Property	4,877	623	4,123	331
Recreation Property	2,630	521	2,509	290
Corporate interest	192	192	431	431
Intersegment eliminations	(2,895)	(1,207)	(1,713)	(691)
	62,370	19,768	48,221	15,012
Interest expense		(324)		(39)
Common costs		(1,151)		(861)
Earnings before income tax expense		18,293		14,112
Income tax expense		(7,663)		(6,345)
Net earnings for the year		10,630		7,767

($000's)	Depreciation and amortization		Capital expenditures		Total carrying value of identifiable assets	
	2000	1999	2000	1999	2000	1999
Community Development	2	1	–	–	127,504	117,320
Investment Property	390	489	2,624	3,543	25,926	23,289
Recreation Property	258	273	179	237	3,039	3,084
Corporate/Common	98	66	71	49	2,317	9,660
	748	829	2,809	3,829	158,786	153,353

16. Fair value of financial instruments

The Company believes that the fair value of financial instruments approximates their carrying values. Financial instruments consists of cash and cash equivalents, accounts receivable, agreements receivable, bank operating loan, accounts payable and accrued liabilities, debt on land under development, debt on land held for future development and debt on capital assets.

17. Definitions for statements of cash flows

Development activities is defined as the net of land held for future development before purchases of land, land under development and provision for land development costs.

Change in other operating assets and liabilities is defined as the net of accounts receivable, sundry assets and accounts payable and accrued liabilities.

Management's responsibility for financial reporting

The Annual Report, including the consolidated financial statements, is the responsibility of the management of the Company. The financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies in all material respects. Financial information contained elsewhere in this Report is consistent with the information contained in the financial statements.

Management maintains a system of internal controls which provides reasonable assurance that the assets of the Company, its subsidiaries and joint ventures are safeguarded and which facilitates the preparation of relevant, timely and reliable financial information which reflects, where necessary, management's best estimates and judgements based on informed knowledge of the facts.

The board of directors is responsible for ensuring that management fulfills its responsibilities and for final approval of the consolidated financial statements. The board has appointed an audit committee comprising three unrelated and independent directors to approve, monitor, evaluate, advise or make recommendations on matters affecting the external audit, the financial reporting and the accounting controls, policies and practices of the Company under its terms of reference.

The audit committee meets at least four times per year with management and with the independent auditors to satisfy itself that they are properly discharging their responsibilities. The consolidated financial statements and the Management Discussion and Analysis have been reviewed by the audit committee and approved by the board of directors of Melcor Developments Ltd.

PricewaterhouseCoopers LLP, independent external auditors appointed by the shareholders, have examined the consolidated financial statements and have read Management's Discussion and Analysis. Their report as auditors is set forth below.

Auditors' Report

To the Shareholders of Melcor Developments Ltd.

We have audited the consolidated balance sheets of Melcor Developments Ltd. as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Edmonton, Alberta

February 23, 2001

Land and property holdings

LAND INVENTORY

	Developed Land			Land Held for Future Development		
	Residential Lots	Residential Acres	Commercial Industrial Acres	Preliminary Approval or Zoned	Raw	Total Acres
NORTHERN ALBERTA						
Edmonton	298	–	14	418	119	537
Spruce Grove	50	2	18	97	972	1,069
Leduc	51	2	–	200	148	348
St. Albert	–	–	–	87	–	87
County of Strathcona	62	–	–	14	85	99
SOUTHERN ALBERTA						
Calgary	256	10	5	245	876	1,121
M.D. Rockyview/Airdrie	35	4	–	41	164	205
Chestermere	45	2	–	54	147	201
Lethbridge	63	–	–	277	–	277
CENTRAL ALBERTA						
Red Deer	148	3	–	219	4	223
ARIZONA						
Phoenix	–	–	–	5	–	5
Tucson	4	–	–	231	–	231
DECEMBER 31, 2000	1,012	23	37	1,888	2,515	4,403
DECEMBER 31, 1999	867	20	30	2,132	2,384	4,516

INVESTMENT PROPERTIES

Buildings	Year Acquired	Rental Area (sq. ft.)	% Leased
OFFICE AND MULTI USE			
EDMONTON, AB			
Melton Building	1973	112,900	65
Trans Alta Building	2000	47,480	78
Westcor Building	1978	72,985	95
Princeton Place	1999	58,585	74
Melcor Industrial Building	1994	63,790	91
Capilano Centre (*)	1999	98,271	81
CALGARY, AB			
Kensington Road Building	1980	23,850	93
REGINA, SK			
Albert Street Building	1979	6,100	66
		483,961	
RETAIL CENTRES			
LEDUC, AB			
Corinthia Park	1975	11,871	71
REGINA, SK			
University Park	1981	41,194	80
		53,065	
		537,026	

Other Properties

LAND LEASE

CALGARY, AB
One acre lot developed in 1999

MANUFACTURED HOME COMMUNITY

CALGARY, AB
Watergrove (*) (308 units / 100% leased)

UNDEVELOPED SITES

EDMONTON, AB
Multi use (115,000 sq. ft.)

CALGARY, AB
Office or residential tower (24, 000 sq. ft.)
Office / retail (75, 000 sq. ft.)

GOLF COURSES

EDMONTON, AB
The Links at Spruce Grove
Lewis Estates Golf Course (*)

Note:
(*) Joint Venture

Five year review

Balance Sheet ($000s)	2000	1999	1998	1997	1996
Assets					
Cash and cash equivalents	**1,181**	8,404	11,544	12,080	1,905
Accounts receivable	**1,980**	1,761	3,140	3,692	2,001
Agreements receivable	**34,927**	30,574	32,934	21,850	18,404
Land under development	**44,996**	37,443	35,287	25,426	29,875
Land held for future development	**48,240**	49,808	48,263	43,271	37,778
Capital assets	**27,462**	25,360	22,422	21,723	21,266
	158,786	153,350	153,590	128,042	111,229
Liabilities and Shareholders' Equity					
Bank operating loan	**14,092**	–	–	–	–
Accounts payable and accrued liabilities	**7,439**	7,109	8,937	7,634	4,200
Bank term loan	**–**	–	1,900	3,000	896
Provision for land development costs	**10,587**	9,588	12,285	5,338	6,110
Debt on land under development	**386**	13,823	12,719	6,279	6,507
Debt on land held for future development	**10,374**	12,128	12,337	7,902	3,858
Debt on capital assets	**12,181**	14,528	13,316	14,178	14,359
Future income taxes	**10,842**	10,597	11,133	10,212	7,963
Share capital	**6,571**	6,712	6,777	6,883	7,028
Retained earnings	**86,314**	78,865	74,186	66,616	60,308
	158,786	153,350	153,590	128,042	111,229

Statement of Earnings ($000s)	2000	1999	1998	1997	1996
Revenue	**61,221**	46,563	57,661	50,589	33,964
Cost of sales	**(37,196)**	(27,782)	(34,666)	(29,785)	(22,096)
	24,025	18,781	22,995	20,804	11,868
Interest revenue	**1,149**	1,658	1,337	621	620
Interest expense	**(1,538)**	(1,276)	(1,485)	(1,420)	(1,551)
General and administrative expenses	**(5,822)**	(5,069)	(5,452)	(4,655)	(3,713)
Earnings from operations	**17,814**	14,094	17,381	15,350	7,224
Gain on sale of capital assets	**479**	18	61	12	13
Valuation adjustment	**–**	–	–	–	(430)
Earnings before income tax expense	**18,293**	14,112	17,456	15,362	6,807
Income tax expense	**(7,663)**	(6,345)	(7,797)	(6,860)	(2,953)
Net earnings for the year	**10,630**	7,767	9,659	8,502	3,854

Statistical ($)		2000	1999	1998	1997	1996
Earnings per share	- basic	**3.48**	2.50	3.05	2.64	1.20
Cash flow per share	- basic	**3.64**	2.58	3.55	3.54	1.41
Number of shares	- year end (000's)	**3,039**	3,104	3,134	3,183	3,215
Shareholders equity	- book value per share	**30.57**	27.57	25.83	23.09	20.94
	- total ($000s)	**92,885**	85,577	80,963	73,499	67,336
Dividends	- per share	**.80**	.70	.60	0.50	0.40
Share price range		**17.00-20.25**	16.05-19.75	15.50-21.50	14.05-18.00	10.00-14.90

Segmented operating review

($000s)	2000	1999	1998	1997	1996
Community Development Division					
Revenue	**56,554**	41,582	50,279	43,432	23,645
Cost of sales	**(34,480)**	(25,308)	(31,178)	(26,775)	(16,355)
	22,074	16,274	19,101	16,657	7,290
Interest revenue	**1,012**	1,289	774	347	278
Interest expense	**(205)**	(100)	(148)	(222)	(223)
	22,881	17,463	19,727	16,782	7,345
Administrative expenses	**(3,242)**	(2,812)	(2,733)	(2,610)	(1,755)
Earnings	**19,639**	14,651	16,994	14,172	5,590
Investment Property Division					
Rental operations	**4,857**	4,123	3,955	3,954	3,998
Land sales	**–**	–	1,617	2,267	5,454
Total operating revenue	**4,857**	4,123	5,572	6,221	9,452
Operating expenses	**(2,854)**	(2,065)	(1,722)	(1,364)	(1,821)
Interest expense	**(994)**	(1,077)	(1,139)	(1,242)	(1,254)
Cost of land sales	**–**	–	(1,176)	(1,576)	(4,986)
Total operating costs	**(3,848)**	(3,142)	(4,037)	(4,182)	(8,061)
Earnings from operations	**1,009**	981	1,535	2,039	1,391
Gain on sale of capital assets	**464**	–	–	–	–
	1,473	981	1,535	2,039	1,391
Administrative expenses	**(460)**	(161)	(218)	(157)	(203)
Depreciation expense	**(390)**	(489)	(411)	(411)	(397)
Asset valuation adjustment	**–**	–	–	–	(430)
	(850)	(650)	(629)	(568)	(1,030)
Earnings	**623**	331	906	1,471	361
Golf Courses					
Revenue	**2,630**	2,509	2,493	1,317	1,297
Operating Costs	**(1,280)**	(1,347)	(1,274)	(783)	(779)
	1,350	1,162	1,219	534	518
Interest expense	**(70)**	(127)	(156)	(93)	(117)
Administrative expenses	**(516)**	(472)	(464)	(199)	(174)
Depreciation expense	**(258)**	(273)	(256)	(151)	(137)
Gain on sale of capital assets	**15**	–	–	–	–
Earnings	**521**	290	343	91	90

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Partner
Field Atkinson Perraton,
Barristers & Solicitors
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Andrew J. Melton
Partner
Avison Young Commercial
Real Estate
Calgary, Alberta

Timothy C. Melton
Executive Chairman
Melcor Developments Ltd.
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Bruce Saville (2)
President
Saville Group
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Robert Stollery (1) (2)
Corporate Director
Edmonton, Alberta

Ralph B. Young
President & Chief Executive Officer
Melcor Developments Ltd.
Edmonton, Alberta

Committees

(1) Audit

(2) Corporate Governance & Compensation

(3) Management

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Executive Chairman

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President and Chief Executive Officer

Michael D. Shabada (3)
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Calgary & Toronto

Stock Exchange Listing,
The Toronto Stock Exchange
(Stock symbol: MRD)

Auditors,
PricewaterhouseCoopers LLP,
Chartered Accountants, Edmonton

COMMUNITY OF TERWILLEGAR GARDENS' DEDICATION

October 25, 2000
Edmonton, Alberta
From left to right: Bryan Anderson (Councillor, City of Edmonton), Shauna Blackburn (Development Manager, Melcor Developments Ltd.), Ian McClelland (MP, Edmonton Southwest), Peter Daly (Vice-President, Melcor Developments Ltd.), Ralph Young (President and Chief Executive Officer, Melcor Developments Ltd.), David Hancock (MLA, Edmonton Whitemud and Minister of Justice and Attorney General, Province of Alberta), Tim Melton (Executive Chairman, Melcor Developments Ltd.)

MELCOR
DEVELOPMENTS LTD.